

OIL AND GAS CONSERVATION COMMISSION
1645 West Jefferson Street
Suite 420
Phoenix, Arizona 85007

Minutes of Meeting
May 24, 1985

Present:

Mr. Ralph W. Bilby, Chairman
Dr. J. Dale Nations, Vice-Chairman
Mr. Forrest R. Rickard, Member
Mrs. Jan C. Wilt, Member

The regular Commission Meeting of May 24, 1985 was called to order by Mr. Ralph W. Bilby, Chairman, at 10:00 A.M. A royal welcome was extended by Mr. Bilby to Mrs. Jan C. Wilt, a new Commission Member.

Dr. Nations suggested that the minutes of the February 15, 1985 meeting have quotation marks regarding John Karabees' report. The quotes will be inserted on Page Three in the second paragraph beginning with the word, "ARCO," and end on Page Seven at the end of the long paragraph with the word, "there." The minutes were then accepted as amended.

Mr. Doss, the Executive Director, reviewed his Activity Report. He advised that Senate Bill 1174 was passed to extend the life of the Commission from July 1986 to July 1996. The other bill passed affecting the Commission was the passing of Senate Bill 1287 which for the most part increased the amount of land that could be included in any one State Land Department oil and gas lease from 2560 acres to six miles square. The bill was amended to say that one well could only hold 2560 acres regardless of the number of acres in a lease. The State Land Department must promulgate rules to establish what due diligence is in development drilling, and how the acreage around each producing well is to be established. The reason of the Bill was to save paper work on leases with one assignment and also to save money. The statutes provided that one well could hold one lease. John Haas of the BLM advised that Federal rules state that there are 10,400 acres for one lease.

Mr. Doss reported that our 1985 - 1986 lump sum budget was approved for \$156,500 which is comparable to the budget of

the current fiscal year. Expenses were approved for Dr. Nations' out-of-state travel for the IOCC.

Mr. Doss advised that Bill Waggoner, a geologist and operator, from the Dallas, Texas area is planning to set a rig in the strip country for drilling a well by May 28. Since a moratorium had been placed nationwide pertaining to issuance of oil and gas leases, it was through the efforts of Senator Dennis DeConcini that the moratorium was lifted in Arizona and that arrangements could be made to proceed with the drilling.

Mr. Doss advised that a proposal of a cooperative agreement had been received between the BLM and the OGCC. We were advised by Russ Kolsrud, representing the Attorney General, that we could not enter such an agreement. The only agreement which the state could enter with the Federal Government is to protect fresh groundwaters from pollution. Our statutes state, "All wells drilled in the state," and that is repeated throughout our statutes, so if we entered into a cooperative agreement that limited that, we would have to change our whole statutes.

Mr. Doss also welcomed Mrs. Wilt as the Commission's newest member and requested Dr. Nations to formally present her to the Board members. Dr. Nations stated that she has been a very productive geologist, and that he and she are preparing another paper which will come out this summer.

Mr. Rudy Ybarra, Enforcement Director, gave his report and advised that there was a correction in the second paragraph, line six to read 3700' instead of 3800'. Mr. Ybarra reviewed the Shields Exploration Co. well 2-19 Federal which was drilled December 1984 to a total depth of 3,756'. The well had been mudded and shut in for four months until reentry on April 13 to cement 4-1/2" casing and production test. The test results are now being evaluated.

Mr. Ybarra reported on the abandonment of two wells in the Teec Nos Pos Field of Energy Reserves Group. He commented on the good equipment and personnel involved in this process. There was a request to flare gas from the Teec Nos Pos Field by Energy Reserves Group due to the drastic decline in gas production. Most of the gas is used for lease purposes and some is sold to El Paso Natural Gas Co. A chart was prepared by Mr. Ybarra depicting this decline of production. Dr. Nations inquired if there was an alternative to flaring, and

it was decided that pressure maintenance or other enhanced recovery project would not be economically feasible.

Mr. Ybarra advised of his visiting Joe Montalban's operation of Mountain States Resources' Well No. 16 Navajo. This well was tested a second time and the gas production depleted rapidly. The well is now shut in.

Mr. Ybarra expressed an interest in out-of-state travel since he belongs to the SPE that he would like to continue to do this at his own expense, but would like time provided by the Commission, to attend the special engineering meetings. Mr. Bilby suggested that an arrangement be worked out between Mr. Ybarra and Mr. Doss.

Mr. Bilby commented on the State of Arizona's receiving water from the Central Arizona Project for irrigation, and the producing of electricity by the atomic system, and was hoping he would learn of a producing well in the state. He was disappointed that this news was not a reality.

Mr. Doss reported on the Eugene Greenwood's cost estimate of \$57,000.00 to do a report on the Pedregosa Basin stressing reservoir rocks, source rocks, stratigraphy, structure and other pertinent data. A comprehensive report is necessary on Cochise County. The total estimate was given at \$114,000.00 which makes this endeavor unaffordable. Mrs. Wilt commented that it wasn't a very good time in the oil industry to justify an expense of this amount. Possibly in a couple of years, this would be feasible if oil is high enough again in price. Mrs. Wilt contacted Sam Thompson of the Bureau of Geology in New Mexico. He is the oil expert for southwestern New Mexico. He advised that Mr. Greenwood was retired and would probably not be the most applicable person to do this project. Mrs. Wilt, Sam Thompson and Joe Schreiber are going to do a field trip for the oil potential of southeastern Arizona in conjunction with the Arizona Geologic Society's Conference in March 1986. They expect approximately 80 people. Mrs. Wilt indicated that she and Mr. Thompson might do this report on Cochise County and perhaps this would be sufficient. The well data is most useful, basically where the tops and bottoms of the formations are and what the oil shows are in the wells in that area. That is the main interest of most companies. The second thing of interest is source rock chemistry. Mr. Thompson has taken cuttings from each well drilled in southwestern New Mexico and had the source rock chemistry done by an outfit in Houston. The cost averages

\$100.00 per sample. The cost for a 10,000-ft. hole was approximately \$10,500.00. While it is expensive, that is a prime interest of most companies. Mrs. Wilt's report combined with Mr. Thompson will be about 30 pages. Mr. Doss will respond to Mr. Greenwood telling him that the Commissioners have no intention of entering into his costly project.

Mr. Bilby commented on having meetings outside of Phoenix which might instigate more interest to the members. He suggested meeting in Yuma next winter; Tucson at the University in the summer. Dr. Nations moved that we meet in Page on the third Friday of July and drive to Fredonia for the Commission meeting. There was not a second to this motion. Mr. Doss will check into the possibility of securing a van from the Motor Pool to transport the attendees to the meeting outside of Phoenix, and report later to the Commission.

Mr. Doss reported on the geothermal venture of Mr. Ralph Pomeroy in the Chandler area. An attorney has informed Mr. Pomeroy that the lease assignments which he received from Geothermal Kinetics are not valid, and also that the leases which Geothermal Kinetics had were not valid leases. It is the understanding of Mr. Pomeroy that Geothermal Kinetics is now a defunct company. It will be necessary for Mr. Pomeroy to acquire new lands in that area for his project. Mr. Doss said this project may never get off the ground because of the compounded problems which Mr. Pomeroy is experiencing. Mr. Ybarra inquired who would be responsible to abandon these wells to which Mr. Doss answered that the owner (Powers Ranch) of the wells would be responsible for this debt. The wells have been T and A for about ten years according to Mr. Ybarra.

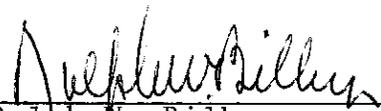
Mr. Doss discussed the amended agenda regarding a discussion of the possible formation of a Natural Resources Agency. Jim Warnock, the Director of the Solar Energy Commission, and Jim McCutcheon, State Mine Inspector, called for a meeting with Representative Hawke from Tucson who is chairman of the House of Natural Resources Committee for the purpose of creating a new Natural Resources Agency, which would be a combination of various agencies. Though Mr. Doss could not attend this meeting due to family illness out of the state, Dr. Larry Fellows from the Bureau of Geology, and John Jett from the Department of Mineral Resources, attended it. Mr. Doss read a memo written by Mr. Jett to his Board of Governors giving the details of the meeting. During the week of

June 16, there will be another meeting and each agency representative is requested to have a brief summary of the duties of the agency represented. Mr. Doss plans to attend this meeting and provide the summary of the duties of the Oil and Gas Conservation Commission, and will keep the Commission informed if there is any progress. Mrs. Wilt suggested researching what other states may have -- if other oil and gas commissions may be a part of an umbrella organization. Mr. Doss advised he has already done this. Mrs. Wilt stated she felt it was very poor to have regulation in the same outfit as research requirements or laws. She feels that regulatory agencies should be separate from other agencies. It was the consensus of the Commission that it has not been called upon officially to act, and a response is not owed.

John Haas of the BLM inquired if there should be production in the Fredonia area, what is the method of adjusting state spacing requirements on shallow wells. Mr. Doss advised that a hearing would be necessary. Spacing is set by the Commission. The operator would have to attend the meeting, and come in with information to justify the spacing requirements that he is requesting.

The meeting adjourned at 11:34 A.M.

APPROVED



Ralph W. Bilby
Chairman

Guests in attendance:

John Haas
James T. Skardon

Ann Turney
Sy Young

Bureau of Land Management
Assistant Attorney General
Natural Resources
Department of Mineral Resources
State Land Department